

EXHIBIT 1257

1 MARY ANN SMITH
2 Deputy Commissioner
3 DOUGLAS M. GOODING
4 Assistant Chief Counsel
5 JOANNE ROSS (State Bar No.: 202338)
6 Senior Counsel
7 Department of Business Oversight
8 1515 K Street, Suite 200
9 Sacramento, California 95814
10 Telephone (916) 324-9687
11 Facsimile: (916) 445-6985
12 Attorneys for Complainant

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BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of:) FIL ORG ID.: 96348
THE COMMISSIONER)
OF BUSINESS OVERSIGHT,) STIPULATION
Complainant,)
v.)
PCJV USA, LLC,)
Respondent.)

IT IS HEREBY STIPULATED BY AND BETWEEN PCJV US, LLC (“PCJV”) and the
Commissioner of Business Oversight (“Commissioner”), as follows:

RECITALS

A. PCJV is a Delaware limited liability company formed on July 16, 2010, with a principal address at 6380 Wilshire Boulevard, Suite 1100, Los Angeles, California 90048. PCJV engages in the business of offering and selling franchises under the name “Potato Corner.”

B. On February 14, 2011, PCJV filed its initial application for registration to offer and sell franchises in California. This application was approved by the Department of Business Oversight

1 (“Department”) and became effective on April 15, 2011.

2 C. In March 2011, Potato Corner Global Company Limited, Hong Kong, NKM Capital Group,
3 LLC and PCJV jointly filed Notices of Violation under section 31303 of the FIL, acknowledging
4 that Potato Corner Global Company Limited, Hong Kong and NKM Capital Group, LLC sold three
5 (3) Potato Corner franchises in California, in or around April 2010 without being registered with the
6 Department.

7 D. On August 20, 2012, PCJV filed a renewal registration for the offer and sale of Potato
8 Corner franchises in California. On August 23, 2012, the Department issued the registration with
9 the Commissioner’s condition to registration that initial franchise fees could not be collected from
10 new California franchisees until after the new franchisees commenced doing business.

11 E. Following the 2012 registration, PCJV collected initial franchise fees from twelve (12)
12 California franchisees prior to their commencing business, in violation of the Commissioner’s
13 condition to registration.

14 F. On September 13, 2013 PCJV filed a renewal registration for the offer and sale of Potato
15 Corner franchises in California. On November 25, 2013, the Department again conditionally issued
16 the registration with the requirement that initial franchise fees could not be collected from
17 California franchisees until after the new franchisees commenced doing business. PCJV failed to
18 disclose to the Department that it had violated this condition twelve (12) times during its previous
19 registration period.

20 G. On November 22, 2013, PCJV filed a Notice of Violation under section 31303 of the FIL
21 because it attended the West Coast Franchise Expo in October 2013, where it sold three (3)
22 franchises after the date its prior registration lapsed and while its renewal application was pending
23 with the Department. The Notice of Violation form was approved by the Department on November
24 25, 2013.

25 H. On February 14, 2014, PCJV filed another Notice of Violation, for violating the
26 Commissioner’s condition to registration for one (1) of five (5) franchises sold to California
27 franchisees in 2013. The form of the Notice of Violation was approved by the Commissioner, and
28 PCJV paid a two thousand five hundred dollar (\$2,500.00) penalty to the Department on April 16,

1 2014. PCJV failed to disclose to the Department that it had violated the condition to its registration
2 four (4) additional times during the 2013 registration period (in addition to the twelve previous
3 violations) by collecting initial franchise fees from all five (5) California franchisees prior to their
4 commencing business.

5 I. PCJV failed to inform its California franchisees that purchased franchises in 2013 and 2014
6 about the two Notice of Violations filed with the Department in 2013 and 2014.

7 J. PCJV's auditors issued restated financial statements for 2012, 2013 and 2014 on October
8 20, 2015 after PCJV's 2014 registration had lapsed. The restated financial statements were not
9 provided to the franchisees that purchased their franchises in 2012, 2013, and 2014.

10 K. On October 21, 2015, PCJV voluntarily disclosed the violations described herein to the
11 Department.

12 L. The Commissioner is issuing the attached Citation with Desist and Refrain Order and
13 Assessment of Administrative Penalty; Claim for Ancillary Relief ("Citation") under the Franchise
14 Investment Law (Corp. Code, §31000, et seq.) ("FIL"), as a result of these violations of law by
15 PCJV.

16 The Commissioner finds that this action is appropriate in the public interest and consistent
17 with the purposes fairly intended by the policy and provisions of this law.

18 TERMS AND CONDITIONS

19 1. This Stipulation is entered into for the purpose of judicial economy and expediency, and to
20 avoid the expense of a hearing, and possible further court proceedings.

21 2. PCJV hereby stipulates to the issuance of the Citation, in the form attached as Exhibit A.

22 3. PCJV agrees to the finality of the Citation and agrees that the Citation shall remain in effect
23 and is public.

24 4. PCJV hereby agrees that within thirty (30) days from the date of PCJV's receipt, as defined
25 in Paragraph 16, from the Department of this Stipulation and the Citation signed by the
26 Commissioner, it will submit to the Department a Notice of Violation ("NOV") form for approval.
27 The Department will approve or provide PCJV with instructions for the revision of the NOV form
28 within thirty (30) days after receipt of the NOV from PCJV. The NOV form shall address all

1 relevant violations by PCJV set forth in this Stipulation and be sent to all relevant/affected
2 franchisees within thirty (30) days after PCJV's receipt of written notice from the Department
3 approving the NOV form via FedEx or other traceable method. PCJV shall send proof of mailings,
4 with a copy of each NOV sent to all relevant/affected franchisees, to Joanne Ross, Senior Counsel,
5 Enforcement Division, 1515 K Street, Suite 200, Sacramento, California 95814 within fifteen (15)
6 days of mailing the NOVs.

7 5. PCJV agrees to comply with all the provisions of the Citation and this Stipulation. Failure to
8 comply with all provisions of the Citation and this Stipulation, including failure to meet deadlines,
9 shall constitute a breach of this Stipulation and be grounds for the Commissioner to issue a stop
10 order denying the effectiveness of PCJV's registration under the Franchise Investment Law.

11 6. PCJV hereby waives a right to a hearing, and to any reconsideration, appeal, or other rights
12 which may be afforded pursuant to the FIL, the California Administrative Procedure Act (Govt.
13 Code, § 11370 et seq.), the California Code of Civil Procedure (Code of Civ. Proc., § 1 et seq.), or
14 any other provision of law in connection with these matters.

15 7. PCJV enters this Stipulation voluntarily and without coercion and acknowledges that no
16 promises, threats, or assurances have been made by the Commissioner or any officer, or agent
17 thereof, about this Stipulation.

18 8. PCJV acknowledges that nothing in this Stipulation shall preclude the Commissioner, or the
19 Commissioner's agents or employees, to the extent authorized by law, from assisting or cooperating
20 in any investigation and/or action brought by any federal, state or county agency. PCJV also agrees
21 that this Stipulation shall not bind or otherwise prevent any federal, state or county agency from the
22 performance of its duties.

23 9. PCJV agrees that the delivery by certified mail of the executed Citation by the Commissioner
24 to PCJV, attention: Guy Koren, President and Chief Operating Officer, at 6380 Wilshire Boulevard,
25 Suite 1100, Los Angeles, California 90048, with a copy sent to Barry Kurtz, Esq., Lewitt, Hackman,
26 Shapiro, Marshall & Harlan, 16633 Ventura Boulevard, 11th Floor, Encino, California 91436 shall
27 constitute valid service of the Citation.

28 10. Each of the parties represents, warrants, and agrees that they have received independent

1 advice from their attorney(s) and/or representatives with respect to the advisability of executing this
2 Stipulation.

3 11. Each of the parties represents, warrants, and agrees that in executing this Stipulation they
4 have relied solely on the statements set forth herein and the advice of their own attorney(s) and/or
5 representatives. Each of the parties represents, warrants, and agrees that in executing this Stipulation
6 they have placed no reliance on any statement, representation, or promise of any other party, or any
7 other person or entity not expressly set forth herein, or upon the failure of any party or any other
8 person or entity to make any statement, representation or disclosure of anything whatsoever. The
9 parties have included this clause: (1) to preclude any claim that any party was in any way
10 fraudulently induced to execute this Stipulation; and (2) to preclude the introduction of parol
11 evidence to vary, interpret, supplement, or contradict the terms of this Stipulation.

12 12. This Stipulation, and Exhibit A hereto, is the final written expression and the complete and
13 exclusive statement of all agreements, conditions, promises, representations, and covenants between
14 the parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous
15 agreements, discussions, negotiations, representations, and understandings between and among the
16 parties, their respective representatives, and any other person or entity, with respect to the subject
17 matter covered hereby.

18 13. In that the parties have had the opportunity to draft, review and edit the language of this
19 Stipulation, no presumption for or against any party arising out of drafting all or any part of this
20 Stipulation will be applied in any action relating to, connected to, or involving this Stipulation.
21 Accordingly, providing that in cases of uncertainty, language of contract should be interpreted most
22 strongly against the party who causes the uncertainty to exist.

23 14. The Parties hereby acknowledge and agree that this Stipulation is intended to constitute a
24 full, final and complete resolution of the violations of the FIL referenced above.

25 15. PCJV agrees to the provisions of this Stipulation solely for the limited purposes of resolving
26 the violations of the FIL referred to herein. It is the intent and understanding between the Parties
27 that this Stipulation, and particularly the stipulations of PCJV herein, shall not be binding against
28 them or admissions in any action(s) with third parties or officers or agencies of the state other than

State of California – Department of Business Oversight

1 the Commissioner of Business Oversight.

2 16. This Stipulation shall not become effective until signed and delivered by all parties.
3 This Stipulation may be executed in one or more separate counterparts, each of which when so
4 executed, shall be deemed an original but all of which, together, shall be deemed to constitute a
5 single document. This Stipulation may be executed by facsimile or scanned signature, and any such
6 facsimile or scanned signature by any party hereto shall be deemed to be an original signature and
7 shall be binding on such party to the same extent as if such facsimile or scanned signature were an
8 original signature. The Stipulation shall be deemed “received” for purposes of this paragraph when
9 the Department emails the fully executed Stipulation to bkurtz@lewitthackman.com.

10 17. Each signator hereto covenants that he or she possess all necessary capacity and authority to
11 sign and enter into this Stipulation.

12 Dated: 12/13, 2016 JAN LYNN OWEN
13 Commissioner of Business Oversight

14
15 By 
16 MARY ANN SMITH
17 Deputy Commissioner
18 Enforcement Division

19 Dated: 12/8/16, 2016 PCJV USA, LLC
20

21 By 
22 Guy Koren
23 President and Chief Operating Officer

24 APPROVED AS TO FORM:

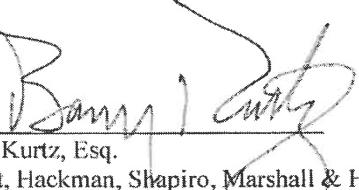
25 Dated: 12/8, 2016 By 
26 Barry Kurtz, Esq.
27 Lewitt, Hackman, Shapiro, Marshall & Harlan
28 Attorneys for PCJV US, LLC

EXHIBIT A

1 MARY ANN SMITH
2 Deputy Commissioner
3 DOUGLAS M. GOODING
4 Assistant Chief Counsel
5 JOANNE ROSS (State Bar No.: 202338)
6 Senior Counsel
7 Department of Business Oversight
8 1515 K Street, Suite 200
9 Sacramento, CA 95814
10 Telephone (916) 324-9687
11 Facsimile: (916) 445-6985

12 Attorneys for Complainant

13 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
14 OF THE STATE OF CALIFORNIA
15
16 In the Matter of) FIL ORG ID.: 96348
17 THE COMMISSIONER OF BUSINESS)
18 OVERSIGHT,) CITATION INCLUDING:
19 Complainant,)
20 v.) 1) DESIST AND REFRAIN ORDER;
21 PCJV USA, LLC,)
22 Respondent.) 2) ASSESSMENT OF ADMINISTRATIVE
23) PENALTY; AND
24) 3) CLAIM FOR ANCILLARY RELIEF
25)
26) (CORPORATIONS CODE SECTIONS 31406
27) AND 31408)

28 Jan Lynn Owen, the Commissioner of Business Oversight of the State of California
29 ("Commissioner"), finds the following:

30 I.

31 **STATEMENT OF FACTS**

32 1. The Commissioner regulates the offer and sale of franchises under the Franchise Investment
33 Law (Corp. Code §31000 et seq.) ("FIL").
34 2. PCJV USA, LLC ("PCJV") is a Delaware limited liability company, formed on July 16, 2010.
35 PCJV has a principal place of business at 6380 Wilshire Boulevard, Suite 1100, Los Angeles,

1 California 90048. PCJV engages in the business of offering and selling franchises under the name
2 "Potato Corner."

3 3. On February 14, 2011, PCJV filed its initial application for registration to offer and sell
4 franchises in California. This application was approved by the Department of Business Oversight
5 ("Department") and became effective on April 15, 2011.

6 4. In March 2011, Potato Corner Global Company Limited, Hong Kong, NKM
7 Capital Group, LLC and PCJV jointly filed Notices of Violation under section 31303 of
8 the FIL, acknowledging that Potato Corner Global Company Limited, Hong Kong and
9 NKM Capital Group, LLC sold three (3) Potato Corner franchises in California, in or
10 around April 2010, without being registered with the Department.

11 5. On August 20, 2012, PCJV filed a renewal registration for the offer and sale of Potato Corner
12 franchises in California. On August 23, 2012, the Department issued the registration with the
13 Commissioner's condition to registration that initial franchise fees could not be collected from new
14 California franchisees until after the new franchisees commenced doing business.

15 6. Following the 2012 registration, PCJV collected initial franchise fees from twelve (12)
16 California franchisees prior to their commencing business, in violation of the Commissioner's
17 condition to registration.

18 7. On September 13, 2013 PCJV filed a renewal registration for the offer and sale of Potato
19 Corner franchises in California. On November 25, 2013, the Department again conditionally issued
20 the registration with the requirement that initial franchise fees could not be collected from California
21 franchisees until after the new franchisees commenced doing business. PCJV failed to disclose to the
22 Department that it had violated this condition twelve (12) times during its previous registration period.

23 8. On November 22, 2013, PCJV filed a Notice of Violation under section 31303 of the FIL
24 because it attended the West Coast Franchise Expo in October 2013, where it sold three (3) franchises
25 after the date its prior registration lapsed and while its renewal application was pending with the
26 Department. The Notice of Violation form was approved by the Department on November 25, 2013.

27 9. On February 14, 2014, PCJV filed another Notice of Violation, for violating the
28 Commissioner's condition to registration for one (1) of five (5) franchises sold to California

1 franchisees in 2013. The form of the Notice of Violation was approved by the Commissioner, and
2 PCJV paid a two thousand five hundred dollar (\$2,500.00) penalty to the Department on April 16,
3 2014. PCJV failed to disclose to the Department that it had violated the condition to its registration
4 four (4) additional times during the 2013 registration period (in addition to the twelve previous
5 violations) by collecting initial franchise fees from all five (5) California franchisees prior to their
6 commencing business.

7 10. PCJV failed to inform its California franchisees that purchased franchises in 2013 and 2014
8 about the two Notice of Violations filed with the Department in 2012 and 2013.

9 11. PCJV's auditors issued restated financial statements for 2012, 2013 and 2014 on October 20,
10 2015 after PCJV's 2014 registration had lapsed. The restated financial statements were not provided to
11 the franchisees that purchased their franchises in 2012, 2013, and 2014.

12 II.

13 CITATION WITH DESIST AND REFRAIN ORDER AND ADMINISTRATIVE PENALTY

14 12. Corporations Code section 31406 provides:

15 (a) If, upon inspection or investigation, based upon a complaint or otherwise, the
16 commissioner has cause to believe that a person is violating any provision of this
17 division or any rule or order promulgated pursuant to this division, the
18 commissioner may issue a citation to that person in writing describing with
19 particularity the basis of the citation. Each citation may contain an order to desist
20 and refrain and an assessment of an administrative penalty not to exceed two
21 thousand five hundred dollars (\$2,500) per violation and shall contain reference to
22 this section, including the provisions of subdivision (c). All penalties collected
23 under this section shall be deposited in the State Corporations Fund.

24 (b) The sanctions authorized under this section shall be separate from, and in
25 addition to, all other administrative, civil, or criminal remedies.

26 (c) If within 60 days from the receipt of the citation, the person cited fails to notify
27 the commissioner that the person intends to request a hearing as described in
28 subdivision (d), the citation shall be deemed final.

29 (d) Any hearing under this section shall be conducted in accordance with Chapter 5
30 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the
31 Government Code.

32 (e) After the exhaustion of the review procedures provided for in this section, the
33 commissioner may apply to the appropriate superior court for a judgment in the
34 amount of the administrative penalty and order compelling the cited person to
35 comply with the order of the commissioner. The application shall include a
36 certified copy of the final order of the commissioner and shall constitute a
37 sufficient showing to warrant the issuance of the judgment and order.

1 13. FIL section 31110 states it shall be unlawful for any person to offer or sell any franchise in this
2 state unless the offer of the franchise has been registered under this part or exempted. PCJV sold three
3 (3) franchises in October 2013 while it was unregistered. PCJV violated section 31110 three (3) times.
4 Pursuant to Corporations Code section 31406, PCJV is hereby ordered to desist and refrain from
5 offering or selling franchises in California unless registered or exempt.

6 14. Under FIL section 31203, it is “unlawful for any person to violate any order of the
7 commissioner or conditions to the effectiveness of the registration of the offer or sale of franchises.”
8 In at least seventeen (17) instances, PCJV violated section 31203 by accepting initial franchise fees
9 from franchisees before those franchisees had opened for business, despite the Commissioner’s
10 condition to the effectiveness of PCJV’s registration not to do so. PCJV is hereby ordered to desist
11 and refrain from further violations of FIL section 31203.

12 15. Pursuant to FIL section 31201, it is “unlawful for any person to offer or sell a franchise in this
13 state by means of any written or oral communication...which includes an untrue statement of a
14 material fact or omits to state a material fact....” PCJV violated section 31201 by misrepresenting
15 material facts to seventeen (17) franchisees by taking the initial franchise fees in violation of the
16 Commissioner’s condition to registration. In addition, PCJV failed to disclose to all potential
17 franchisees the Notice of Violations it had filed with the Department in 2013 and 2014, in violation of
18 section 31201. PCJV is hereby ordered to desist and refrain from further violations of FIL section
19 31201.

20 16. PCJV also failed to disclose to the Commissioner that it violated the condition to registration in
21 sixteen (16) of the seventeen (17) instances until October 21, 2015. This is a violation of section
22 31200, which states that it is “unlawful for any person willfully to make any untrue statement of a
23 material fact...or willfully omit to state in any such application, notice, or report any material fact
24 which is required to be stated therein, or fail to notify the Commissioner of any material change as
25 required by section 31123.” PCJV is hereby ordered to desist and refrain from further violations of
26 FIL section 31200.

27 17. FIL section 31123 states that a franchisor “shall promptly notify the commissioner in writing,
28 by an application to amend the registration, or any material change in the information contained in the

1 application as originally submitted, amended or renewed.” PCJV’s auditors restated financial
2 statements for years 2012, 2013 and 2014 on October 20, 2015 after PCJV’s 2014 registration had
3 lapsed. PCJV failed to disclose these restated financial statements with the Commissioner until
4 November 25, 2015, in violation of section 31123. PCJV is hereby ordered to desist and refrain from
5 further violations of FIL section 31123.

6 18. PCJV is hereby assessed and ordered to pay an administrative penalty of twenty thousand
7 dollars (\$20,000.00) (“Penalty”) based on the three (3) violations of section 31110, seventeen (17)
8 violations of section 31203, nineteen (19) violations of section 31201, sixteen (16) violations of
9 section 31200, and three (3) violations of section 31123 of the FIL. The Penalty shall be paid by check
10 and made payable to the Department of Business Oversight. The Penalty check shall be received by
11 the Department no later than fifteen (15) calendar days from PCJV’s Receipt from the Department of
12 this Citation with Desist and Refrain Order and Assessment of Administrative Penalty; Claim for
13 Ancillary Relief (“Order”) signed by the Commissioner. The Order shall be deemed “received” when
14 the Department emails the executed Order to bkurtz@lewitthackman.com.

15 19. The penalty payment by PCJV should be sent via traceable method to: Department of
16 Business Oversight, ATTN: Accounting-Litigation, 1515 K Street, Suite 200, Sacramento, CA
17 95814-4052.

18 **III.**

19 **ANCILLARY RELIEF**

20 20. Corporations Code section 31408 provides:

21 (a) If the commissioner determines it is in the public interest, the commissioner
22 may include in any administrative action brought under this division, including a
23 stop order, a claim for ancillary relief, including, but not limited to, a claim for
24 rescission, restitution or disgorgement or damages on behalf of the persons injured
25 by the act or practice constituting the subject matter of the action, and the
26 administrative law judge shall have jurisdiction to award additional relief. The
27 person affected may be required to attend remedial education, as directed by the
28 commissioner.

26 (b) In an administrative action brought under this part the commissioner is entitled
27 to recover costs, which in the discretion of the administrative law judge may
28 include any amount representing reasonable attorney’s fees and investigative
expenses for the services rendered, for deposit into the State Corporations Fund for
the use of the Department of Business Oversight.

1 21. Under section 31408, the Commissioner may direct the franchisor to attend remedial education
2 and may request additional ancillary relief as part of any administrative action. Within thirty (30) days
3 from the date of PCJV's Receipt from the Department of this Order signed by the Commissioner,
4 PCJV is hereby directed to contract with an independent monitor ("Monitor") who shall have no prior
5 familial, financial, or professional affiliation with PCJV or any of its senior management level
6 employees. PCJV shall provide the name and contact information of the Monitor to the Department
7 within forty-five (45) days from the date of PCJV's Receipt from the Department of this Order signed
8 by the Commissioner. The Monitor shall be a licensed attorney with experience in franchise
9 transactions in California. The Monitor shall be responsible for assisting PCJV to develop and
10 implement policies and procedures, governing books, records and accounts of its franchise sales. The
11 Monitor shall review PCJV's practices and procedures annually for three (3) consecutive years. On or
12 before October 1 of 2017, 2018 and 2019, the Monitor shall submit a report on PCJV's development
13 and implementation of these policies and procedures. The report shall be submitted to: Joanne Ross,
14 Senior Counsel, Enforcement Division, 1515 K Street, Suite 200, Sacramento, California 95814. This
15 three-year term for the Monitor shall be reviewed by the Commissioner on each annual anniversary
16 date of the parties' execution of this Citation. This three-year term for the Monitor may be shortened
17 by the Commissioner in her discretion if PCJV has demonstrated compliance with the FIL and this
18 Citation.

19 In addition, PCJV is directed to have an experienced franchise attorney or attorneys provide to
20 Guy Koren, President and Chief Operating Officer, and Amir Jacoby, Director, as well as any other
21 officers or employees involved in offering or selling franchises, an eight-hour, in-person training in the
22 area of FIL compliance matters, including but not limited to the offering and selling of franchises
23 ("Training"). PCJV must obtain prior approval of the providers of the Training from the
24 Commissioner within thirty (30) days from the date of PCJV's Receipt from the Department of this
25 Order signed by the Commissioner. Proof of the trainees' attendance at the Training for eight (8)
26 hours, via affidavit by the trainer(s) and each trainee, shall be received by the Department no later than
27 ///
28 ///

1 March 6, 2017 by sending via traceable method to: Joanne Ross, Senior Counsel, Enforcement
2 Division, 1515 K Street, Suite 200, Sacramento, California 95814.

3 Dated: December 16, 2016
4 Sacramento, CA

JAN LYNN OWEN
Commissioner of Business Oversight



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6 By _____
7 MARY ANN SMITH
8 Deputy Commissioner
9 Enforcement Division
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